

SAN MATEO COUNTY

Revised Audit Report

HANDICAPPED AND DISABLED STUDENTS PROGRAM

Chapter 1745, Statutes of 1984,
and Chapter 1274, Statutes of 1985

July 1, 2000, through June 30, 2002



STEVE WESTLY
California State Controller

January 2007



STEVE WESTLY
California State Controller

January 5, 2007

The Honorable Tom Huening
Controller
San Mateo County
555 County Center, 4TH Floor
Redwood City, CA 94063

Dear Mr. Huening:

The State Controller's Office audited the claims filed by San Mateo County for costs of the legislatively mandated Handicapped and Disabled Students Program (Chapter 1745, Statutes of 1984, and Chapter 1274, Statutes of 1985) for the period of July 1, 2000, through June 30, 2002. This final report supersedes the original final report issued December 30, 2004.

We are reissuing this report to increase allowable costs by \$370,118 as a result of the Commission on State Mandates (COSM) adopting *Parameters and Guidelines* for the Handicapped and Disabled Students II Program. This program was adopted subsequent to our issuing the original final report. Under the newly adopted program guidelines, medication support costs are reimbursable beginning in fiscal year 2001-02.

The county claimed \$7,455,887 (\$7,456,887 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$5,775,863 is allowable and \$1,680,024 is unallowable. The unallowable costs occurred primarily because the county claimed unsupported and ineligible costs. The State paid the county \$4,333,056. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,442,807, contingent upon available appropriations.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site at www.csm.ca.gov (Guidebook link), and obtain IRC forms by telephone at (916) 323-3562 or by e-mail at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

cc: Gale Bataille, Director
 Department of Mental Health Services
 San Mateo County
Janet Crist-Whitzel
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Revised Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by San Mateo County for costs of the legislatively mandated Handicapped and Disabled Students Program (Chapter 1745, Statutes of 1984, and Chapter 1274, Statutes of 1985) for the period of July 1, 2000, through June 30, 2002. The last day of fieldwork was December 1, 2006.

The county claimed \$7,455,887 (\$7,456,887 less a \$1,000 penalty for filing a late claim) for the mandated program. The audit disclosed that \$5,775,863 is allowable and \$1,680,024 is unallowable. The unallowable costs occurred primarily because the county claimed unsupported and ineligible costs. The State paid the county \$4,333,056. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,442,807, contingent upon available appropriations.

Background

Chapter 26 of the *Government Code*, commencing with Section 7570, and *Welfare and Institutions Code* Section 5651 (added and amended by Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) require counties to participate in the mental health assessment for "individuals with exceptional needs," participate on the expanded Individualized Education Program (IEP) team, and provide case management services for "individuals with exceptional needs" who are designated as "seriously emotionally disturbed." These requirements impose a new program or higher level of service on counties.

On April 26, 1990, the Commission on State Mandates (COSM) determined that Chapter 1747, Statutes of 1984, resulted in state-mandated costs that are reimbursable pursuant to *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on August 22, 1991 (last amended on August 29, 1996). In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs to assist local agencies in claiming reimbursable costs.

Parameters and Guidelines states that only 10% of mental health treatment costs are reimbursable. However, on September 30, 2002, Assembly Bill 2781 (Chapter 1167, Statutes of 2002) changed the regulatory criteria by stating that the percentage of treatment costs claimed by counties for fiscal year (FY) 2000-01 and prior fiscal years is not subject to dispute by the SCO. Furthermore, this legislation states that, for claims filed in FY 2001-02 and thereafter, counties are not required to provide any share of those costs or to fund the cost of any part of these services with money received from the Local Revenue Fund established by *Welfare and Institutions Code* Section 17600 et seq. (realignment funds). Furthermore, Senate Bill 1895 (Chapter 493, Statutes of 2004) states that realignment funds used by counties for the Handicapped and Disabled Students Program "are eligible for

reimbursement from the state *for all allowable costs* to fund assessments, psychotherapy, and other mental health services . . .” and that the finding by the Legislature is “declaratory of existing law.” (Emphasis added.)

On May 26, 2005, the COSM adopted a *Statement of Decision* for the Handicapped and Disabled Students II Program that incorporates the above legislation, and further identified medication support as a reimbursable costs effective July 1, 2001. The COSM adopted the *Parameters and Guidelines* for this new program on December 9, 2005, and made technical corrections to it on July 21, 2006. *Parameters and Guidelines* for the Handicapped and Disabled Students II Program states that “Some costs disallowed by the State Controller’s Office in prior years are now reimbursable beginning July 1, 2001 (e.g., medication monitoring). Rather than claimants re-filing claims for those costs incurred beginning July 1, 2001, the State Controller’s Office will reissue the audit reports.” Consequently, we are allowing medication support costs commencing on July 1, 2001.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Handicapped and Disabled Students Program for the period of July 1, 2000, through June 30, 2002.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the county’s financial statements. Our scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the county’s internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

The audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Revised Findings and Recommendations section of this report.

For the audit period, San Mateo County claimed \$7,455,887 (\$7,456,887 less a \$1,000 penalty for filing a late claim) for Handicapped and Disabled Students Program costs. The audit disclosed that \$5,775,863 is allowable and \$1,680,024 is unallowable.

For FY 2000-01, the State paid the county \$2,121,694. Our audit disclosed that \$2,753,561 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$631,867, contingent upon available appropriations.

For FY 2001-02, the State paid the county \$2,211,362. Our audit disclosed that \$3,022,302 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$810,940, contingent upon available appropriations.

Views of Responsible Official

We issued a final report on December 30, 2004. The county disagreed with Finding 2 and agreed with the remaining findings. The county's response is included as an attachment to this audit report.

Subsequent to issuance of our December 30, 2004, final report, the COSM adopted *Parameters and Guidelines* for Handicapped and Disabled Students II Program. Under the newly adopted program guidelines, medication support costs are reimbursable beginning FY 2001-02. This change impacts Finding 1, increasing allowable costs by \$370,118. On October 26, 2006, we informed Gale Bataille, Director of Mental Health, of the revisions and the reissuance of the final report. On December 1, 2006, Patrick Sutton, designee of Ms. Bataille, concurred with the revision.

Restricted Use

This report is solely for the information and use of San Mateo County, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

**Revised Schedule 1—
Summary of Program Costs
July 1, 2000, through June 30, 2002**

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustments | Reference ¹ |
|--|-------------------------|------------------------|----------------------|------------------------|
| July 1, 2000, through June 30, 2001 | | | | |
| Assessment and case management costs | \$ 408,231 | \$ 413,408 | \$ 5,177 | Finding 1 |
| Administrative costs | 108,610 | — | (108,610) | Finding 1 |
| Offsetting revenues: | | | | |
| Short-Doyle/Medi-Cal funds (FFP) | (61,437) | (61,437) | — | |
| Net assessment and case management costs | 455,404 | 351,971 | (103,433) | |
| Treatment costs | 4,296,245 | 3,517,858 | (778,387) | Findings 1, 2 |
| Administrative costs | 975,404 | 318,342 | (657,062) | Findings 1, 2, 3 |
| Offsetting revenues: | | | | |
| Short-Doyle/Medi-Cal funds (FFP) | (569,783) | (492,933) | 76,850 | Findings 1, 2 |
| EPSDT funds | (392,346) | (244,939) | 147,407 | Findings 1, 4 |
| State categorical funds | (568,934) | (568,934) | — | |
| AB 599 funds | (126,804) | (126,804) | — | |
| Net treatment costs | 3,613,782 | 2,402,590 | (1,211,192) | |
| Subtotal | 4,069,186 | 2,754,561 | (1,314,625) | |
| Less late claim penalty | (1,000) | (1,000) | — | |
| Total program costs | <u>\$ 4,068,186</u> | 2,753,561 | <u>\$(1,314,625)</u> | |
| Less amount paid by the State | | (2,121,694) | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 631,867</u> | | |
| July 1, 2001, through June 30, 2002 | | | | |
| Assessment and case management costs | \$ 521,689 | \$ 521,689 | \$ — | |
| Administrative costs | 10,953 | 10,953 | — | |
| Offsetting revenues: | | | | |
| Short-Doyle/Medi-Cal funds (FFP) | (123,323) | (123,323) | — | |
| Net assessment and case management costs | 409,319 | 409,319 | — | |
| Treatment costs | 4,353,843 | 4,353,843 | — | |
| Administrative costs | 220,038 | 261,461 | 41,423 | Finding 3 |
| Offsetting revenues: | | | | |
| Short-Doyle/Medi-Cal funds (FFP) | (860,520) | (860,520) | — | |
| EPSDT funds | (53,258) | (460,080) | (406,822) | Finding 4 |
| State categorical funds | (568,934) | (568,934) | — | |
| AB 599 funds | (112,787) | (112,787) | — | |
| Net treatment costs | 2,978,382 | 2,612,983 | (365,399) | |
| Subtotal | 3,387,701 | 3,022,302 | (365,399) | |
| Less late claim penalty | — | — | — | |
| Total program costs | <u>\$ 3,387,701</u> | 3,022,302 | <u>\$(365,399)</u> | |
| Less amount paid by the State | | (2,211,362) | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 810,940</u> | | |

Revised Schedule 1 (continued)

| <u>Cost Elements</u> | <u>Actual Costs Claimed</u> | <u>Allowable per Audit</u> | <u>Audit Adjustments</u> | <u>Reference¹</u> |
|--|---------------------------------|--------------------------------|------------------------------|------------------------------|
| <u>Summary: July 1, 2000, through June 30, 2002</u> | | | | |
| Assessment and case management costs | \$ 929,920 | \$ 935,097 | \$ 5,177 | Finding 1 |
| Administrative costs | 119,563 | 10,953 | (108,610) | Finding 1 |
| Offsetting revenues: | | | | |
| Short-Doyle/Medi-Cal funds (FFP) | <u>(184,760)</u> | <u>(184,760)</u> | <u>—</u> | |
| Net assessment and case management costs | <u>864,723</u> | <u>761,290</u> | <u>(103,433)</u> | |
| Treatment costs | 8,650,088 | 7,871,701 | (778,387) | Findings 1, 2 |
| Administrative costs | 1,195,442 | 579,803 | (615,639) | Findings 1, 2, 3 |
| Offsetting revenues: | | | | |
| Short-Doyle/Medi-Cal funds (FFP) | (1,430,303) | (1,353,453) | 76,850 | Findings 1, 2 |
| EPSDT funds | (445,604) | (705,019) | (259,415) | Findings 1, 4 |
| State categorical funds | (1,137,868) | (1,137,868) | — | |
| AB 599 funds | <u>(239,591)</u> | <u>(239,591)</u> | <u>—</u> | |
| Net treatment costs | <u>6,592,164</u> | <u>5,015,573</u> | <u>(1,576,591)</u> | |
| Subtotal | 7,456,887 | 5,776,863 | (1,680,024) | |
| Less late claim penalty | <u>(1,000)</u> | <u>(1,000)</u> | <u>—</u> | |
| Total program costs | <u>\$ 7,455,887</u> | 5,775,863 | <u>\$(1,680,024)</u> | |
| Less amount paid by the State | | <u>(4,333,056)</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 1,442,807</u> | | |

¹ See the Revised Findings and Recommendations section.

Revised Findings and Recommendations

FINDING 1— Unsupported claim costs

The county claimed costs, totaling \$766,709 for fiscal year (FY) 2000-01, that were not supported by its accounting records. The county filed the claim using data from the FY 1999-2000 annual cost report submitted to the California Department of Mental Health, estimating the amounts for FY 2000-01.

The county prepared and submitted an amended claim to the SCO prior to the start of audit fieldwork, but the deadline for acceptance had already passed. Our auditor was able to trace the amounts on the amended claim to the county's accounting records and its 2000-01 annual cost report, and the auditor used the amended claim as the basis for additional audit tests.

Parameters and Guidelines for the Handicapped and Disabled Students program specifies that only actual increased costs incurred in the performance of the mandated activities and adequately documented are reimbursable.

As a result, we adjusted the original claimed amounts to reflect the costs as documented by the county on its amended claim.

| | Fiscal Year 2000-01 | | |
|--|---------------------|--------------------|---------------------|
| | Costs Claimed | Costs Supported | Difference |
| Assessment and case management costs | \$ 408,231 | \$ 413,408 | \$ 5,177 |
| Administrative costs | 108,610 | — | (108,610) |
| Total assessment and case management costs | 516,841 | 413,408 | (103,433) |
| Treatment costs | 4,296,245 | 3,994,934 | (301,311) |
| Administrative costs | 975,404 | 285,802 | (689,602) |
| Offsetting revenues: | | | |
| Short-Doyle/Medi-Cal funds (FFP) | (631,220) | (626,480) | 4,740 |
| EPSDT funds | (392,346) | (69,449) | 322,897 |
| State categorical funds | (568,934) | (568,934) | — |
| AB 599 funds | (126,804) | (126,804) | — |
| Net treatment costs | 3,552,345 | 2,889,069 | (663,276) |
| Audit adjustment | <u>\$4,069,186</u> | <u>\$3,302,477</u> | <u>\$ (766,709)</u> |

Recommendation

We recommend that the county ensure costs claimed are eligible increased costs incurred as a result of the mandate and are supported by appropriate documentation.

County's Response

The county concurred with the finding.

SCO's Comment

The finding and recommendation remain unchanged.

**FINDING 2—
Ineligible treatment
costs**

The county claimed costs for medication monitoring and crisis intervention services that are ineligible, totaling \$436,162 for the audit period.

Parameters and Guidelines for the Handicapped and Disabled Students program specifies that only the following treatment services are reimbursable: individual therapy; collateral therapy and contacts; group therapy; day treatment; and the mental health portion of residential treatment in excess of California Department of Social Services payments for residential placement. The Handicapped and Disabled Students II program allows costs of medication monitoring beginning in FY 2001-02.

As a result, ineligible treatment costs and related administrative costs and revenue offsets have been adjusted as follows.

| | Fiscal Year 2000-01 |
|----------------------------------|------------------------|
| Treatment costs: | |
| Medication monitoring | \$ (370,559) |
| Crisis intervention | (106,517) |
| Total ineligible treatment costs | (477,076) |
| Administrative costs | (31,196) |
| Offsetting revenues: | |
| Short-Doyle/Medi-Cal funds (FFP) | 72,110 |
| Audit adjustment | <u>\$ (436,162)</u> |

Recommendation

We recommend that the county ensure costs claimed are eligible costs incurred as a result of the mandate.

County's Response

The county disagreed with the finding, stating that both medication monitoring and crisis intervention are included as eligible services under state regulations, and *Parameters and Guidelines* was not intended to exclude them from reimbursable costs.

SCO's Comment

The finding and recommendation has changed due to the adoption of the *Parameters and Guidelines* for the Handicapped and Disabled Students II program. We revised the finding to allow medication support costs for FY 2001-02. Consequently, the unallowable costs were reduced by \$370,118, from \$806,280 to \$436,162.

Crisis intervention was not included in the *Parameters and Guidelines* for Handicapped and Disabled Student II program. Therefore, the finding and recommendation remain unchanged for crisis intervention costs.

**FINDING 3—
Understated
administrative costs**

The county understated administrative costs by \$105,159 for the audit period. The county claimed administrative costs using indirect cost rate proposals (ICRPs) that were based on budgeted indirect salaries rather than on actual indirect salaries. Also, total indirect costs claimed did not agree with total administrative costs reported on the county's annual cost reports.

Parameters and Guidelines for the Handicapped and Disabled Students program specifies that only actual increased costs incurred in the performance of the mandated activities and adequately documented are reimbursable.

As a result, our auditor adjusted indirect costs claimed based on actual indirect costs as reported on the county's annual cost reports, as follows.

| | Fiscal Year | | Total |
|---------------------------------------|-------------|------------|-------------|
| | 2000-01 | 2001-02 | |
| Treatment costs: | | | |
| Administrative costs claimed | \$ 975,404 | \$ 220,038 | \$1,195,442 |
| Finding 1 adjustment | (689,602) | — | (689,602) |
| Finding 2 adjustment | (31,196) | (21,954) | (53,150) |
| Adjusted administrative costs claimed | 254,606 | 198,084 | 452,690 |
| Costs supported | 318,342 | 239,507 | 557,849 |
| Audit adjustment | \$ 63,736 | \$ 41,423 | \$ 105,159 |

Recommendation

We recommend that the county ensure costs claimed are eligible increased costs incurred as a result of the mandate and are supported by appropriate documentation.

County's Response

The county concurred with the finding.

SCO's Comment

The finding and recommendation remain unchanged.

**FINDING 4—
Understated revenue
offsets**

The county understated state matching funds received from the California Department of Mental Health under the Early Periodic Screening, Diagnosis, and Treatment (EPSDT) Program by \$582,312 for the audit period. These funds reimburse the county for the cost of services provided to Medi-Cal clients.

Parameters and Guidelines for the Handicapped and Disabled Students program specifies that any direct payments (categorical funds) received from the State that are specifically allocated to the program, and any other reimbursements received as a result of the mandate, must be deducted from the claims.

As a result, claimed revenue offsets have been adjusted as follows.

| | Fiscal Year | | Total |
|------------------------------|---------------------|---------------------|---------------------|
| | 2000-01 | 2001-02 | |
| Treatment costs: | | | |
| Offsetting revenues: | | | |
| EPSDT funds claimed | \$ (392,346) | \$ (53,258) | \$ (445,604) |
| Finding 1 adjustment | 322,897 | — | 322,897 |
| Adjusted EPSDT funds claimed | (69,449) | (53,258) | (122,707) |
| EPSDT funds per audit | (244,939) | (460,080) | (705,019) |
| Audit adjustment | <u>\$ (175,490)</u> | <u>\$ (406,822)</u> | <u>\$ (582,312)</u> |

Recommendation

We recommend that the county ensure all applicable reimbursements received are offset against costs claimed.

County's Response

The county concurred with the finding.

SCO's Comment

The finding and recommendation remain unchanged.

**Attachment—
County's Response to
Draft Audit Report**

Office of Controller



**TOM HUENING
CONTROLLER**

COUNTY OF SAN MATEO

555 COUNTY CENTER, 4TH FLOOR • REDWOOD CITY • CALIFORNIA 94063

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December 2, 2004

Jim L. Spano, Chief
Compliance Audits Bureau
State Controller's Office
Division of Audits
P.O. Box 94250
Sacramento, CA 94250-5874

Dear Mr. Spano:

Enclosed is San Mateo County's response to the State Controller's letter and draft audit report for claims for the costs of the legislatively mandated *Handicapped and Disabled Students* Program (Chapter 1745, Statutes of 1984, and Chapter 1274, Statutes of 1985) for the period of July 1, 2000 through June 30, 2002.

Pursuant to the audit process outlined in the letter, we are submitting the enclosed response to the draft audit findings. Our disputes pertain to the disallowances of medication support and crisis intervention and related administrative costs. We maintain that these costs are allowable under the regulations and guidelines pertaining to the *Handicapped and Disabled Students* program.

We would appreciate your acknowledgement, and consideration of our response in your final audit report. If you have any questions, you may call Gale Bataille, Director, at (650) 573-2544 or e-mail gbataille@co.sanmateo.ca.us.

Sincerely,

Tom Huening
Controller, San Mateo County

Enclosure:

Cc: Mike Querin, SCO
Bob Adler, Assistant Controller, San Mateo County
Gale Bataille, Director, Mental Health
Janet Crist-Whitzel, Financial Services Manager II, Mental Health
Aurora Pangilinan, Financial Services Manager I, Mental health

**SAN MATEO COUNTY MENTAL HEALTH SERVICES
HANDICAPPED AND DISABLED STUDENTS PROGRAM
RESPONSES TO FINAL AUDIT REPORT
July 1, 2000 through June 30, 2002**

The State Controller's Office conducted a field audit of the Handicapped and Disabled Students state mandated program for the San Mateo County Mental Health Division. This audit covered two fiscal years: 2000-01 and 2001-02. The total net claim amount from our original 2000-01 claim (as stated in the draft audit report) totaled \$4,068,186 and our revised claim totaled \$3,301,477, a reduction of \$766,709 prior to the audit. The allowable claim per audit was \$2,753,561, a disallowance of \$547,916 from our revised claim. The audit disallowance for 2001-02 was \$735,517 from our claim of \$3,387,701. Although the audit report finds a total disallowance of \$2,050,142, the total disallowance from our actual revised claims for the two years was thus \$1,283,433. We wish to contest \$963,712 of that disallowance.

The County of San Mateo appeals certain audit findings. It is hoped that upon review of the County's responses, the State Controller will issue a fair and equitable final audit report.

FINDING 1 – Unsupported claim costs

- This refers to the original claim, which was subsequently revised by us and traceable by the auditor.

SCO Recommendation: *We recommend that the county ensure costs claimed are eligible increased costs incurred as a result of the mandate and are supported by appropriate documentation.*

County Response:

We do not contest this finding. We acknowledge that our original claim was incorrect and we had already revised it.

FINDING 2 – Ineligible treatment costs claimed (audited allowable claim less San Mateo revised claims (Total = \$910,562)

- Treatment
 - **\$804,045** is for Medication Monitoring (15/60)
 - **\$106,517** is for Crisis Intervention (15/70)

SCO Recommendation: *We recommend that the county ensure costs claimed are eligible increased costs incurred as a result of the mandate.*

County Response:

We appeal the disallowances of the following: 15/60, Medication Support Services and 15/70, Crisis Intervention. We will restate our justifications from an earlier audit response.

- **15/60 Medication Visits**

The California Code of Regulations in Section 60020(i) defines Mental Health services as such: "Mental Health services" means mental health assessments and the following services when delineated on an IEP in accordance with Section 7572(d) of the Government Code; psychotherapy as defined in Section 2903 of the Business and Professions Code provided to the pupil individually or in a group, collateral services, **medication monitoring**, intensive day treatment, day rehabilitation, and case management. "Medication monitoring" is clearly defined in 60020(f) as including all medication support services including prescribing, administering, dispensing, and monitoring of psychiatric medications or biologicals necessary to alleviate the symptoms of mental illness. The cost of the medications is not a covered service and has not been billed in the SB 90 claiming process.

By citing the above code sections that clearly mandate medication monitoring as a service provided under Chapter 26.5, the Parameters and Guidelines (Ps and Gs) includes medication monitoring by direct reference. The County appeals the total disallowance of \$804,045.

- **15/70 Crisis Intervention**

It was the intent of AB 3632 and later amendments not to include mental health services designed to respond to "psychiatric emergencies or other situations requiring an immediate response" (Article 2, section 60040(e)). This language was related primarily to inpatient hospitalization. The services currently in dispute were not provided as psychiatric emergency services leading to hospitalization or other emergency care but rather were provided in the normal course of mental health treatment. These services were provided as defined in the California Code of Regulations, Title 9, Section 543, and designed to alleviate problems, which, if left untreated, presented imminent threat to the pupil.

The State Controller's auditor claimed that treatment costs associated with medication monitoring and crisis intervention are ineligible, stating that these costs are not specified in the Parameters and Guidelines.

In their response to the County's objections to this area of disallowance in the draft audit report, the SCO stated the following:

"Each treatment service above is defined under Title 9, Section 543 of the California Administrative Code. Since medication monitoring and crisis intervention were both defined in regulation at the time the Parameters and Guidelines were adopted and were not included

as reimbursable costs, the only reasonable conclusion is that they were intentionally excluded and therefore, not reimbursable."

The Parameters and Guidelines, Summary of Mandates references California Code of Regulations, Division 9, Sections 60000-60200, Title 2, as well as Division 7, Title 1 of the Government Code commencing with Section 7570. The Parameters and Guidelines specifically cite Government Code sections 7571 and 7576 and their implementing regulations as governance. The "implementing regulations" for the provision of Chapter 25.6 of the Government Code are found in the California Code of Regulations, Title 2, Division 9, the Joint Regulations for Handicapped Children.

Section 7576 (amended in 1996) of the Government Code identifies the Department of Mental Health's responsibility for the provision of Mental Health services and states, in part, that the Department of Mental Health "shall be responsible for the provision of mental health services as defined in regulations by the State Department of Mental Health, developed in connection with the State Department of Education, when required in the pupil's individualized education plan".

Additionally, the Parameters and Guidelines references Section 5651 of the Welfare and Institutions code assures, in part, that "the county shall provide the mental health services required by Chapter 26.5 (commencing with Section 7570) of Division 7 of Title 1 of the Government Code and will comply with all requirement of that chapter".

Given the broad and general construction of the Parameters and Guidelines which were passed during the late 1980's and early 1990's, it's not surprising that medication monitoring and crisis intervention were not specifically mentioned as a reimbursable components. The Commission on State Mandates during this era consciously crafted Ps and Gs that were neither exhaustive nor complete. Rather, it was generally believed by Commission, State, local agencies and the State Controller, that the mandate would be implemented differently in virtually every county in the state. The Ps and Gs were meant to be an inclusive document, not exclusive.

In short, if the activity fell into the referenced mandate regulations or statutes, all parties understood that the associated costs would be eligible to claim and would be subject to State audit for reasonability.

Over time, the Ps and Gs have become much more detailed, lengthy, legalistic and exhaustive. Looking at the Ps and Gs from the earlier eras, they appear overly broad, general and almost quaint in their lack of detail. Neither format is inherently superior, however, the difference reflects the paradigm shift at the Commission on State Mandates over the past decade.

Since 1991, the State Controller, the Department of Mental Health and California counties have agreed that medication monitoring and crisis intervention were eligible cost components for the AB 3632 program. Every year, the State Controller has desk

reviewed every AB 3632 claim individually and regularly consulted DMH for their advice in determining eligibility. Without fail, the State has consistently reimbursed counties for these two components, and did so fully realizing what was in the Ps and Gs for this program.

The County agrees that if the State Controller now believes that this service is ineligible because it is not specifically listed in the guidelines that the Parameters and Guidelines need to be amended accordingly. That's a reasonable prospective fix, however, it fails to address the fiscal years covered by this field audit.

In short, the State Controller is basing this significant disallowance on nothing more than an "assumption" on their part. It is not reasonable for the State Controller to disallow costs associated with these state mandated services when they are clearly included in the implementing regulations which are included in the Parameters and Guidelines for this program.

The County appeals the disallowance of \$106,517, which we feel should be an approved claim under the intent of AB 3632 and the California Code of Regulations and we do not believe the Parameters and Guidelines were meant to exclude these services.

FINDING 3 --- Unsupported Administrative Costs

- The audit disallowed \$742,752 in administrative costs from original SB 90 claim.

\$689,602 of this disallowance was already corrected by us on a revised claim and we do not contest this disallowance. There was an incorrect formula on the state's claim form, which we later discovered had inflated the administrative costs and we corrected this. The additional administrative cost disallowance of \$53,150 was related to disallowed treatment costs that we are contesting. We wish to reiterate our same issues discussed under Finding 2.

FINDING 4 --- Revenue Offsets Understated

- Additional EPSDT revenue of \$259,415 should have been shown as offsets.

SCO Recommendation: We recommend that the county ensure all applicable reimbursements received are offset against costs claimed.

County Response

We do not contest this finding. We accept the auditor's methodology.

Summary of Appeal

In summary, we appeal the following disallowances, which should have been approved costs in our claims over the two years:

- \$804,045 for 15/60 – Medication Monitoring
- \$106,517 for 15/70 – Crisis Intervention as part of ordinary mental health services
- \$53,150 in disallowed administrative costs related to the above treatment costs

We feel that the total of \$963,712 in claims should not be disallowed, as we feel they are fully supported by the California Code of Regulations. We will plan to file an incorrect reduction claim with the Commission on State Mandates if the State Controller does not make the necessary and appropriate adjustments to their draft findings.

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